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SUBJECT: JAMAICAN COCOA INDUSTRY: VERY SWEET REFORM

REF: 08 KINGSTON 772

Background -----

11. (SBU) On August 20, 2008 USAID in association with the Ministry of Agriculture (MOA) held a workshop to present findings from a USAID-funded assessment of the Jamaican cocoa industry (reftel). The assessment found that although there are significant economic opportunities to be derived from cocoa production and considerable demand for the high-quality beans grown on the island, the Jamaica's cocoa industry continues to languish under the stranglehold of its rent-seeking national cocoa board, with production on a downward trajectory. A recommendation of the report was the effective deregulation of the industry to ensure that farmers, with private sector partners are able to produce, ferment, dry, and export high quality cocoa beans without any intermediation by the Cocoa Industry Board (CIB). At that time Agriculture Minister Christopher Tufton indicated he was willing to do whatever was needed to turn the sector around.

Reform Break Through -----

12. (SBU) Keeping his promise, Tufton wrote in a letter dated June 3 to the USAID Mission Director that Cabinet has given approval for separating the regulatory and commercial functions of the CIB. The Ministry is also in the process of establishing a Cocoa Restructuring Committee consisting of eight persons from the private and public sectors to oversee the organization of the CIB and the cocoa sector.

New Potential For Cocoa Sector -----

13. (SBU) Jamaica is producing far below its capacity and missing opportunities in the international market for its high quality beans. It is also a little known fact that Jamaica's cocoa beans have a premium quality status similar to that of world famous Blue Mountain coffee. Jamaican cocoa is some of the finest in the world and commands a high price for use in premium products. The cocoa board was a major bottleneck; its heavy involvement in the non-regulatory aspects of the industry is largely driven by the board's desire to control the pricing mechanism and by extension extract economic rent. There was also a clear conflict between the regulatory and commercial aspects of board functions, which was a potential avenue for corruption. The separation of regulatory and commercial functions of the CIB is a significant breakthrough for the sector and will likely spur new growth and investment in the sector.

Comment -----

14. (SBU) The fact that Tufton addressed the issues of the cocoa board head-on is noteworthy. Appointments to commodity boards are

often political and serve as a reward for years of commitment to party politics. In addition, the Government of Jamaica (GOJ) has a history of appeasement, and does not tend to choose radical changes from the status quo. USAID perseverance on this issue is also commendable. Jamaica already benefits from positive branding for premium coffee that could be used to market premium cocoa. It was an imperative that the GOJ eliminate CIB control as a precondition to USG, and probably private sector, investment; that it has now occurred is a very positive sign. Post will continue to monitor the progress of reform in the sector. End Comment.
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